

Message Text

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ACTION EUR-12

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TAGS: BGEN ETRD CSCE YO
SUBJ: NEW REGULATION ON
REPRESENTATION OFFICES FOR FOREIGN FIRMS

1. A NEW REGULATION ON THE ESTABLISHMENT AND WORK OF REPRESENTATION OFFICES OF FOREIGN FIRMS (OFFICIAL GAZETTE, NO. 30, ITEM 399) WAS ISSUED ON JUNE 13, 1977. IT AUTHORIZED FOREIGN COMMERCIAL REPRESENTATION OFFICES TO ENGAGE IN A WIDER RANGE OF COMMERCIAL ACTIVITIES THAN PREVIOUSLY ALLOWED AND, FOR THE FIRST TIME, PERMITS BANKS TO OPEN OFFICES TO PERFORM CREDIT LIAISON ACTIVITIES, PREPARE INVESTMENT STUDIES AND ASSIST YUGOSLAV ENTERPRISES IN DEVELOPING COUNTRIES.

2. THE YUGOSLAVS ARE LETTING IT BE KNOWN THAT THIS ACTION WAS TAKEN IN FULFILLMENT OF HELSINKI BASKET II. IN FACT, THE NEW
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REGULATION, IN PERMITTING SALES PROMOTION, IS CLEARLY AN IMPROVEMENT OVER THE PREVIOUS ONE WHICH ALLOWED REPRESENTATION OFFICES ONLY FOR FIRMS WISHING TO EXPORT YUGOSLAV GOODS OR TO THOSE ASSOCIATED WITH A YUGOSLAV PARTNER THROUGH JOINT VENTURE, LONG-TERM COOPERATION, OR TECHNICAL SERVICES AGREEMENTS. IT ALSO ABOLISHES THE REQUIREMENTS THAT A YUGOSLAV HEAD THE REPRESENTATION OFFICE AND THAT FOREIGN FIRMS MAKE A ND600,000 SECURITY DEPOSIT.

3. THE REGULATION, HOWEVER, DOES CONTAIN SOME IMPORTANT LIMITATIONS. FIRST, ONLY FOREIGN FIRMS WHICH HAVE ENGAGED IN IMPORT AND EXPORT ACTIVITIES FOR THREE YEARS IN YUGOSLAVIA ARE ELIGIBLE TO APPLY FOR A REPRESENTATION PERMIT UNLESS THE FIRM IS INVOLVED IN ONE OF THE ARRANGEMENTS THAT ALREADY ALLOW REPRESENTATION. SECOND, IN ORDER TO RETAIN ITS RIGHT TO A REPRESENTATION OFFICE, A FOREIGN FIRM MUST MAINTAIN A CERTAIN LEVEL OF YUGOSLAV EXPORTS, WHICH IS DETERMINED BY THE FOREIGN TRADE SECRETARIAT. WE HAVE HEARD THAT IN SOME CASES FOREIGN FIRMS WILL HAVE TO COVER UP TO 100 PERCENT OF THEIR SALES BY PURCHASES. THIRD, THE REGULATION IN AMBIGUOUS PHRASING SUGGESTS THAT REPRESENTATION OFFICES CAN DEVELOP EXPORT-IMPORT BUSINESS ONLY WITH REGISTERED YUGOSLAV FOREIGN TRADE ENTERPRISES. FINALLY, EVEN IF A FOREIGN FIRM HAS THREE YEARS OF TRADE EXPERIENCE AND AGREES TO COMPLY WITH ALL REQUIREMENTS, APPROVAL FOR A REPRESENTATION OFFICE IS NOT GUARANTEED. THE FEDERAL EXECUTIVE COUNCIL HAS DISCRETIONARY POWER TO PERMIT OR DENY A REPRESENTATION OFFICE DEPENDING ON WHETHER ITS OPERATIONS WOULD CONFORM WITH YUGOSLAV FOREIGN ECONOMIC POLICY.

4. AN UNCLASSIFIED SUMMARY OF THE REGULATION FOR DISTRIBUTION TO BUSINESSMEN WILL FOLLOW SHORTLY. THE TRANSLATION OF THE REGULATION HAS ALREADY BEEN FORWARDED TO THE DEPARTMENT BY POUCH.
YORK

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